

Legislative Council meeting on 18 April 2012
Motion on “Perfecting Hong Kong’s housing policy”
Progress Report

Purpose

At the Legislative Council (LegCo) meeting on 18 April 2012, the motion on “Perfecting Hong Kong’s housing policy” moved by the Hon WONG Kwok-kin and amended by Hon WONG Sing-chi, Hon Miriam LAU and Hon Raymond HO was carried. The wording of the motion carried is at Annex. This report sets out the Administration’s position and the follow-up action taken in respect of the motion.

Public Rental Housing (PRH) Supply and Average Waiting Time (AWT)

The Government provides PRH to low-income families who cannot afford private rental accommodation through the Hong Kong Housing Authority (HA), with a target of maintaining the AWT for general Waiting List (WL) applicants (excluding non-elderly one-person applicants under the Quota and Points System (QPS)) at around three years. According to the HA’s Public Housing Construction Programme, during the five-year period from 2011/12, a some 75 000 PRH units will be built, averaging at about 15 000 units per year. However, the average annual PRH production of 15 000 units is not a fixed target. In light of the latest position of the WL, we are reviewing the overall PRH demand and supply situation to determine the number of new units required to continue to maintain our AWT target.

QPS

As mentioned above, the Government provides PRH to low-income families who cannot afford private rental accommodation through the HA. Given the limited PRH resources, there is a need to give due consideration to and balance the needs of different groups of applicants. Therefore, under the existing arrangement, non-elderly one-person applicants are subject to the QPS, which aims to rationalise and prioritise the allocation of PRH to different groups of applicants. We understand that there have been concerns from the community on the housing needs of non-elderly one-person applicants. We will carefully consider different suggestions on how to effectively assist such applicants to meet their housing needs.

Group B rental housing

As mentioned above, the Government provides PRH to low-income families who cannot afford private rental accommodation through the HA. With the existing land resources, however, it remains a challenge to meet the target of

maintaining the AWT for general WL applicants at around three years. If we are to develop flats similar to the Group B rental housing of previously developed by the Hong Kong Housing Society, this would be in competition with for land resources for other housing, most notably PRH developments. Therefore, we have to carefully consider the impact of such a proposal, in order to avoid affecting our target in respect of the AWT for PRH.

Public Housing Policy for Fostering Harmonious Families

In order to encourage young offspring to live with their elderly parents to render support, the HA has implemented various public housing priority schemes and housing arrangements including the Harmonious Families Priority Scheme, Harmonious Families Transfer Scheme, Harmonious Families Addition Scheme and Harmonious Families Amalgamation Scheme, etc. These initiatives have been well received since their implementation, and as at end May 2012 about 21 410 families had benefited. The HA will continue to implement these arrangements, and based on the experience gained, review the operation and effectiveness of these measures as and when appropriate.

Demarcation of WL Districts

At present, the HA allows WL applicants to choose one of the four districts^{Note} when they apply for PRH but cannot specify a particular location or estate. The primary objective is to allocate the limited PRH resources in a rational and effective manner so as to strike a balance and to avoid a serious imbalance among the demands for PRH in various districts. Owing to the limited PRH resources, if WL districts were to be divided into smaller districts, the result will be a mismatch between supply and demand in individual districts. Waiting time will thus be unnecessarily lengthened. This is not conducive to addressing the housing need of Waiting List applicants.

Building Safety of Subdivided Flats

According to the Development Bureau (DevB), the Buildings Department (BD) has been taking a multi-pronged package of measures against the building safety problems that can be present in subdivided flats so as to ensure the safety of the public and the residents. Specifically, the BD has since April 2011 commenced a large scale operation with an annual target to inspect 150 buildings with subdivided flats and will take enforcement action against the irregularities of any of the building works involved. Taking into account the potential risks that hawker stalls may pose to nearby buildings, the BD will also deploy its staff to conduct a special one-off operation this year to inspect subdivided flats in old

^{Note} WL applicants registered after 30 September 2009 can only choose non-urban districts, but applicants who join the “Single Elderly Persons Priority Scheme”, “Elderly Persons Priority Scheme” or “Harmonious Families Priority Scheme” and opt to have all the members living in one flat can opt for any district.

buildings situated in the vicinity of hawker stalls. Together with BD's plan to inspect the domestic subdivided flats in 30 industrial buildings within the current year, it is expected that the number of buildings included in this year's large scale operation will increase to around 370 buildings.

To facilitate BD's enforcement action, DevB submitted the Building Legislation (Amendment) Bill to the LegCo in 2011. The scrutiny of the bill by the relevant bills committee has been completed and the bill will be submitted to the LegCo for resumption of second reading. The bill includes a proposal for the BD to apply for court warrants for entry into premises, which will enhance the BD's enforcement action against improper flat subdivision works. In addition, the DevB submitted the Building (Minor Works) (Amendment) Regulation 2012 to the LegCo in May 2012 to propose that certain works commonly involved in subdivided flats be put under the regulation of the Minor Works Control System (MWCS). When owners carry out such works in future, they will be required to hire qualified professionals to carry out and supervise the works, so as to enhance the quality and safety standards of such works. The scrutiny procedure of the amendment regulation was completed on 6 June this year, and the new requirements will come into effect on 3 October. Upon the implementation of this new requirement and with the submissions received under the MWCS, the BD will also be able to maintain a database that contains the number and whereabouts of such works to facilitate effective monitoring and any necessary enforcement action.

New Home Ownership Scheme (New HOS)

The HA is proactively conducting the preparatory work for the New HOS, and has carried out a special exercise to complete the preliminary planning, site investigation, design and consultation of relevant District Councils in parallel to fast-track the production of the first batch of New HOS projects. HA's relevant Committees have already begun discussion on price-setting, premium payable arrangement and other implementation details. The HA will continue to discuss the implementation details in accordance with the New HOS timetable.

With the sites identified at this stage, the plan is to provide some 17 000 flats over four years from 2016-17 onwards.

Allowing WF Buyers to Purchase HOS Flats with Premium Not Paid under the Secondary Market Scheme (SMS)

The objectives of the SMS are to provide an avenue for PRH tenants and GF certificate holders to attain home ownership, and at the same time vacate more PRH units for allocation to persons and families in need. On allowing those who qualify for WF status to purchase HOS flats with premium not yet paid, we will need to carefully consider various factors, including the demand and supply situation and the policy objectives of the SMS, etc.

Private residential property market

The Government has been monitoring developments in the private residential property market closely and remains vigilant on the risks of a property bubble. To ensure the healthy and stable development of the property market, the Government has since 2010 introduced a series of measures in four areas, i.e. increasing land supply, combating speculative activities, preventing excessive expansion in mortgage lending, and enhancing the transparency of property transactions. The Government will continue to stay alert and closely monitor the market situation. The Government will not hesitate to introduce further measures when necessary to ensure the healthy and stable development of the property market.

Private Housing Land Supply

On land supply, the Chief Executive mentioned in the 2010 Policy Address that in the next ten years, land for some 20 000 private residential flats on average will be made available annually. The aim is to build up a sufficiently large land reserve over a period of time to ensure a stable housing land supply.

In 2011/12, through the sale of residential sites by the Government, railway property development projects, redevelopment projects of the Urban Renewal Authority (URA), projects subject to lease modification or land exchange, and private redevelopment projects not subject to lease modification or land exchange, the aggregate land supply could provide about 19 500 private residential flats, very close to our working target of making available land for 20 000 flats on average annually. In 2012/13, it is estimated that land from the above sources could provide about 30 000 private residential flats. In the first quarter of 2012/13 (i.e. April to June 2012), the Government has sold or will sell four residential sites, which could provide about 1 400 flats in total. Three of the four sites have flat number restrictions imposed on them. Furthermore, another two residential sites successfully triggered by developers have been sold. In the second quarter of 2012/13 (i.e. July to September 2012), the Government will sell six residential sites, which could provide about 1 800 flats in total. Three of the six sites have flat number restrictions. In addition, two West Rail property development projects will be tendered in the same quarter, which could provide about 3 200 flats. The Government will continue to work hard to build up a land reserve and expand land resources through a multi-pronged approach so as to ensure the healthy and stable development of the residential property market.

Tax concession for rentals and the entitlement years of the home loan interest (HLI) deduction

To help ease the tax burden of salaries tax payers amidst the economic slowdown, the Government has suggested a series of concessionary revenue

measures in the 2012/13 Budget, including an across-the-board increase in the existing personal allowances under salaries tax. About 1.5 million taxpayers of the salaries tax and tax under personal assessment will benefit from the above measure. As a matter of fact, the above budgetary proposal has already taken into account the basic needs of the taxpayers such as rental expenses, and the additional financial burden arising from various family responsibilities. The Administration considers that the introduction of deductible items for various expenses of an individual nature will make the tax system less flexible because individual taxpayers without the need to pay such specific expenses will not be able to benefit from these deductions.

The Budget has also proposed to extend the entitlement years for HLI deduction from the current ten years of assessment to 15 years of assessment, while maintaining the current deduction ceiling of \$100,000 a year. On 9 May 2012, we introduced the relevant bill into the LegCo for consideration.

Pilot Scheme on the Redevelopment of Industrial Buildings by URA

In the 2012/13 Budget, the Government announced that the URA would be invited to launch redevelopment projects of industrial buildings in the form of a pilot scheme with a view to releasing more sites, including sites for residential development. A special task force headed by the Managing Director of the URA had tendered proposals on the implementation details of the pilot scheme, including the acquisition policy, the project selection principles and a few possible project sites. These proposals were recently considered and approved by the URA Board. The URA will commence one to two redevelopment projects of industrial buildings over the next one to two years.

**Transport and Housing Bureau
Development Bureau
Financial Services and the Treasury Bureau
June 2012**

**Motion on
“Perfecting Hong Kong’s housing policy”
moved by Hon WONG Kwok-kin
at the Council meeting of 18 April 2012**

Motion as amended by Hon WONG Sing-chi, Hon Miriam LAU and Hon Raymond HO

That, in order to respond to people’s aspiration for acquiring their homes, the Government already resumed the construction of Home Ownership Scheme (‘HOS’) flats and increased land supply last year in response to strong public demand, but the supply and prices of residential units in Hong Kong still continue to fluctuate, with the housing issue remaining people’s greatest concern and grass-root people continuing to face various housing difficulties; in this connection, this Council urges the Government to ensure the healthy and stable development of the property market and formulate a long-term housing policy, so as to respond to the housing demand of various strata and perfect the housing ladder and mobility in Hong Kong; the relevant measures should include:

- (a) to increase the existing annual public rental housing (‘PRH’) production to 30 000 units or more for expediting the allocation of units to the existing 160 000-plus applicants on the Waiting List to two years, so as to meet grass-root people’s demand for PRH, including the construction of additional four to six-person flats to shorten the waiting time for such family applicants and bring it broadly in line with the waiting time for small family applicants, so as to enable them to be allocated flats within a reasonable timeframe;
- (b) to comprehensively review the Quota and Points System for non-elderly one-person applicants, and study the adoption of more effective measures to assist singletons with actual housing need, such as increasing the quota to expedite flat allocation and excluding middle-aged one-person applicants from the points system, so that they may wait for PRH allocation like ordinary family applicants;
- (c) to study the introduction of sandwich-class PRH to enable those households or persons with incomes slightly above the PRH eligibility criteria but without the ability to enter the private residential property market to apply for renting such units subject to certain conditions and time limits, so as to alleviate their rental pressure; and study re-launching Group B PRH of Hong Kong Housing Society to address their housing needs;
- (d) to review the allocation and eligibility criteria of PRH, with a view to facilitating and encouraging young family members to live with their elderly family members and to care for them, and allow applicants to select districts

in respect of PRH allocation, such as Hong Kong Island, Kowloon, New Territories East, New Territories West or the outlying islands, which can meet applicants' needs and also expedite flat allocation;

- (e) to launch a large-scale territory-wide inspection of flat units sub-divided into separate units (commonly known as 'sub-divided units') and take enforcement actions against units contravening the Buildings Ordinance, so as to protect the safety of residents; at the same time, study the expeditious introduction of legislative control on 'sub-divided units', and conduct a general survey and a study on residents of 'sub-divided units', cubicles and cage homes, so as to facilitate the formulation of housing measures to assist these people, including assisting them in expeditiously applying for PRH and providing reasonable rehousing for residents affected by clearance;
- (f) to review the various eligibility criteria and conditions relating to the purchase and turnover of HOS flats, including the ratio of green forms to white forms in respect of new HOS flats in the future, the arrangements for premium payment and resale for new and old HOS flats, and allowing eligible families to purchase HOS flats in the secondary market without having to pay the premium, so as to expedite the turnover of HOS flats and facilitate people's home acquisition through this channel;
- (g) to formulate long-term and sustainable development strategies for the supply of flats, site identification and financial commitment under various sandwich-class housing projects and HOS projects, so as to prevent such projects being suspended in the end due to policy changes or financial factors, etc.;
- (h) in times of short supply of public housing and subsidized housing, to provide rental assistance and tax concessions to needy applicants waiting for PRH allocation or sandwich-class people eligible for subsidized housing, so as to alleviate their housing burden amid exorbitant rents;
- (i) to closely monitor the impact of the economic environment and external factors on the private residential property market and people's burden of home mortgages, and timely adjust the relevant policies to prevent drastic fluctuations in the private residential property market; and
- (j) to draw up a five-year rolling list of land reserve for public and private housing, with a view to ensuring a timely supply of land for public and private housing to meet the community's needs;
- (k) to provide a tax allowance for rentals for marginal middle-class people who are unable to purchase their homes and need to rent flats, so as to alleviate their rental burden;

- (l) as exorbitant property prices have caused an increase in the amount of people's home loans, making their burden of home mortgages increasingly heavy, the Government should consider further extending the current entitlement period for deduction for home loan interest; and
- (m) to expedite urban renewal and assist in changing the land use of dilapidated factory buildings with higher vacancy rates after premium payment, so as to redevelop them into 'no-frills' small and medium sized flats, including flats with limited floor area for Hong Kong people who are first-time home buyers; and
- (n) to expeditiously announce a land supply policy that meets the housing need in Hong Kong.